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SUBJECT: NICARAGUA: AMBASSADOR CALLS ON MINISTER OF LABOR

Classified By: Ambassador Paul Trivelli for reason 1.4(b)

¶1. (SBU) SUMMARY: In a March 14 meeting with the Ambassador, Nicaraguan Minister of Labor Jeanette Chavez Gomez admitted that the Ministry faces some complex problems. While in favor of increasing the minimum wage, she emphasized the need for a cautious, balanced approach to adjusting the minimum wage scales to meet the needs of workers without jeopardizing private sector interests. She is actively engaged with her Central American counterparts to establish a regional labor resource center in an effort to calibrate labor standards and address regional labor issues. The Minister denied widespread reports of politically motivated firings within the various ministries, claiming that only 300-400 employees -- in "positions of confidence" or whose contracts had expired -- had been dismissed, and claimed that 120,000 had been dismissed under the three previous administrations. The Minister agreed that trafficking in persons is an important issue and is actively engaged with El Salvador to sign a bi-lateral labor agreement that would enable the government to more effectively address the matter. END SUMMARY

Introduction
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¶2. (U) On March 14, the Ambassador sat down with the new Minister of Labor, Jeanette Chavez Gomez, to discuss CAFTA funding for labor-related projects, reforms to the minimum wage and Consumer Price Index (CPI), anti-trafficking efforts, and respect for the Civil Service law among other issues. The Minister, clearly pleased to receive the Ambassador, eagerly engaged him in discussion of a broad range of labor-related topics and displayed a solid working knowledge of each issue. She openly acknowledged the challenges ahead, but displayed a positive attitude and seems to be taking a very proactive approach.

¶3. (SBU) Minister Chavez began the meeting by commenting that her Ministry is small, but it faces tough, complicated issues, such as minimum wage reform, that impact the whole nation. She remarked that it is very important to strike the right balance between economic growth and stability and ensuring just wages for the Nicaraguan people. Cognizant of the difficulty of achieving this balance, the Minister said the GON is carefully analyzing the situation.

CAFTA Support for Labor Programs
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¶4. (SBU) The Ambassador mentioned that the USG, through CAFTA-DR, is providing over US\$ 20 million in regional funding this year to help strengthen and modernize labor ministries, improve labor standards and labor law enforcement, and increase the knowledge base and professionalization of organized labor institutions. The

Minister remarked that she is familiar with and impressed by the work of a key regional partner in US-funded labor projects -- Cumple y Gana -- and expressed her appreciation for the US' efforts to improve the labor situation. Minister Chavez mentioned that efforts are underway to create a consolidated Central American labor resource center with the goal of studying and improving regional labor standards. The center would also serve as a resource center for workers.

15. (SBU) On the theme of trafficking in persons (TIP), the Ambassador mentioned that the Ministry may be interested in an upcoming TIP workshop in El Salvador. The Minister responded that Nicaragua has a well-developed bi-lateral labor agreement with Costa Rica that defines workers' rights and the legal procedures for dealing with labor issues. She expressed interest in creating a similar accord with El Salvador, in part, to control trafficking in persons which she believes is facilitated by the large movement of migrant labor.

Minimum Wage Reforms

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16. (SBU) The Minister is a strong proponent of reforming the minimum wage based on an "adjusted" CPI. Because the current CPI does not including housing, she stressed, it is not accurate. However, she pointed out, the tricky part is determining how much to increase the minimum wage for a given uptick in the CPI. She emphasized the need for "equilibrium" between workers' rights and macro-economic impact, and stated that there is on-going discussion to determine how much additional currency - via wage increases - could be injected into the economy without creating inflation and how much the business sector can absorb without damaging competitiveness. She acknowledged that the government must proceed with caution when considering wage reforms because, as a major employer in the economy, any upward movement in wages could have a significant fiscal impact.

Civil Service Firings

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17. (C) The Ambassador commented that the topic of unjustified firings has received a great deal of press attention lately and solicited the Minister's opinion. Minister Chavez responded that the news reports are wrong, and insisted that no more than 300-400 people had been dismissed amongst the various ministries, most of whom were people in "positions of confidence" or contract employees whose contracts were not renewed. As an example, she cited that the Ministry of Labor has dismissed only three people, all of whom worked in the Minister's office in "positions of confidence." She conceded that there may be some isolated incidents of unfair firings, but nothing orchestrated or widespread. In contrast, she claimed that some 120,000 government employees had been fired under the previous three administrations, beginning in 1990 until the end of 2006. (COMMENT: Given that the government work force is estimated to be 60,000, such a claim is not credible as it would imply that the entire government work force has been fired twice in the past 16 years. Separately, members of the political opposition in the National Assembly claim that Law 476 -- the Career Civil Service law -- does not authorize the dismissal of people in "positions of confidence" and that such dismissals are illegal. Instead, such workers are to be reassigned. In addition, Foreign Minister Samuel Santos earlier mentioned to us that the new administration would not change more than 200 positions. END COMMENT).

18. (SBU) In response to the Ambassador's question about her relationship with the National Assembly, Minister Chavez characterized it as "good", but that the deputies are asking her to take action against the dismissal of civil servants. She told the Ambassador that, technically, the Treasury is responsible for handling labor appeals, but that the Appeals Commission written into the 2003 Career Civil Service law has never been formed. She stressed that the Ministry of Labor's mandate is labor inspection and that it would be a conflict

of interest if such a Commission were part of the Ministry of Labor.

Lobster Fisherman

19. (U) The Ambassador touched briefly on the subject of the working conditions of lobster divers on the Atlantic Coast, an occupation known to be very hazardous due to poor equipment and training and the lack of enforcement of health and safety regulations by the government. Minister Chavez characterized the situation as "serious, serious" and stated that "people have a long history of not obeying the laws." She promised that the government will "work hard on this," but admitted that there are too few inspectors and that they lack sufficient technical knowledge of the profession. Minister Chavez believes that an inter-ministerial approach involving, for example, the Ministries of Health and the Family, will be required to address this problem.

10. (SBU) Finally, the Ambassador asked that the Ministry of Labor consider how it might help resolve an on-going labor dispute involving a US-owned shrimping business on the Atlantic Coast in which the workers illegally went on strike. The Minister stated that she was aware of the case and is actively "looking for solutions."

Biography: Jeanette Chavez Gomez

11. (U) Doctor Jeanette Chavez Gomez was born in Chinandega and obtained a law degree from UNAN in the 1970s. She holds a Masters degree in Public Law from the University of Barcelona. Dr. Chavez has been tied to the FSLN since she was a student leader. During the 1980s she worked at the Ministry of Agriculture (MIDINRA), the Ministry of Economy, and was the General Manager of an industrial supplies company. Along with Ruth Selma Herrera, Dr. Chavez is the founder of the Consumer Defense Network. She is also the former President of the Chinandega Lawyers and Notaries' Association.

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